Colorado Student Grant Background for November 4

Due to time constraints at the October 19 Finance, Performance, and Accountability (FPA) meeting, discussions of potential changes to the Colorado Student Grant (CSG) were pushed out to a future meeting. The purpose of this document is to provide, in written form, the background that would have been provided at that meeting, in advance of the November 4 stakeholder meeting on financial aid.

The Colorado Student Grant, also referred to as the Completion Incentive Grant, is the state's undergraduate need-based aid program. In FY 2019-20, the most recent year for which final data is available, approximately 59,300 students received an award of CSG, and the average award was $2,556. In the current fiscal year, the total amount of CSG allocated to institutions is $167.5 million.

The current CSG model was established in 2013 and first used in making allocations in FY 2013-14. Allocations are based on the number of full-time equivalent (FTE) Pell-eligible students at each institution. Annually, staff & the Commission establish a set amount for each Pell-eligible FTE that increases incrementally by grade level. This is intended to incentivize institutions to improve retention and progression of Pell-eligible students. To further encourage institutions to support timely completion, the model also includes an upper limit for "advanced seniors" – students who have reached their Pell Lifetime Eligibility Used (LEU) as determined by federal financial aid processing documents. Institutions receive the same allocation for advanced seniors as they do for freshman students. A guardrail has also been used every year to ensure institutions do not experience significant fluctuations in allocations. Typically both upper and lower guardrails are used. In past years, the goals of the CSG models have been:

- Incentivize institutions to meet CCHE Strategic Plan goals by encouraging the support of student retention and timely completion
- Target aid to the neediest students
- Ensure predictable allocations for financial aid administrators

Staff has broken out CSG considerations into two groups of decisions/points of consideration for feedback – first, a set of general changes recommended regardless of the allocation strategy, and second, the decision on the actual allocation strategy to be used in the future.

General Changes

Staff has three recommendations that apply regardless of which broad approach Commissioners prefer. Two are related to data, and a third is related to the use of guardrails. All three are detailed below.

1) **Continue the use of Pell-eligible FTE as the data feed for the model.** Most institutions agreed this was a good proxy for low-income student enrollment. Using the count of students who were *eligible* to receive a Pell grant rather than students who actually received one ensures that the broadest count is used, as not every student with a Pell-eligible EFC receives a Pell grant. Data may need to be revisited in the future as EFC and Pell-eligibility criteria will change following the passage of the FAFSA Simplification Act. Until the Federal Department of Education provides more detail on what those changes will look like, Pell-eligible EFC is the best indicator available.

2) **Switch to a three-year data average.** Currently the model utilizes a single year of data, which can lead to large fluctuations in allocations (especially at smaller schools, where a small change in Pell-eligible FTE can result in large percentage shifts in allocations). Shifting to three years of data will smooth allocations and could reduce the need to use guardrails, while still reflecting real data and broader trends in enrollment. Staff also recommends that any change in policy allows for the use of single-year data in exceptional circumstances (such as a spike in enrollment accompanying a traditional recession).

3) Continue using guardrails but allow for decreases in allocations. Past practice in CSG allocations has been to establish guardrails so that all institutions see an increase or stay flat when possible. While this practice has generally been in the spirit of "sharing the wealth" when the General Assembly makes a generous increase in the financial aid allocation, in practice it has resulted in some institutions seeing continual increases to their CSG allocation while experiencing consistent enrollment losses, resulting in some institutions having a per-FTE allocation that is greater than that of their peers.

Although staff recommends shifting to less generous guardrails, staff also recognizes that the purpose of guardrails is to provide stability, as significant changes in allocations could impact student awards. Staff also recognizes that because of the timing of the passage of the Long Bill, institutions may package some CSG awards prior to actual allocations being finalized. To ensure that those commitments, as well as existing awards to students, are met, allocations of CSG should not shift too dramatically from year to year. As such, staff recommends that the lower guardrail each year be established on an institutional basis, and be tied to changes in enrollment + inflation. For demonstration purposes the 2020 Higher Education Price Index (HEPI) for the Mountain Region is used. The upper guardrail is set at three times the actual increase to financial aid, recognizing that the schools consistently caught by the upper guardrail in the past have some of the lowest per-FTE allocations.

Lower Guardrail = (Prior year allocation x inflation) x actual model-eligible FTE enrollment change
Upper Guardrail = 3x actual overall increase

Changes to Allocation Policy

Responses to the targeted questions on overall allocation strategy generally fell into two broad groups – one in favor of keeping the existing allocation model, potentially with modifications to guardrails or data used, and a second group in favor of moving towards a model that allocates a flat (or flatter) amount of funding per eligible FTE. The below sections aim to provide more information on each approach as well as demonstrate the impact of each change to existing allocations.

Approach #1: Adjustments to Current Model

The current CSG model was established with the principles that it would incent completion and retention by increasing the per-FTE allocation at higher grade levels. In the targeted feedback questions, most institutions reported that they do not tend to increase awards as students progress. However, the existing allocation mechanism *does* implicitly recognize the higher cost of attendance/cost to provide services at four-year institutions. This is reflected in the existing allocations, with per Pell eligible FTE allocations being higher at the four-year public institutions than the two-year institutions, LDCs, and ATCs.

Implicitly recognizing higher cost is in line with both the historic CSG allocation methodology, which allocated funding based on unmet need by sector, and existing Graduate Grant allocation methodology, which directly considers an institution's cost of attendance. Proponents of the existing model argue that four-year institutions *should* receive higher allocations, as they must make higher awards to have similar purchasing power to a lower-cost institution. However, higher cost institutions also tend to have greater institutional resources available for use in packaging.

The table on page 4 shows the difference between actual FY22 allocations and an example of what allocations might have looked like had different guardrails & three-year data average been in effect. Highlighted rows denote a school caught by either the upper or lower guardrail. In the example allocations, guardrails play a less significant role (only three schools are impacted) due to the data smoothing effect of the guardrails on both sides.

It should be noted that this scenario demonstrates an alternative means by which FY 2021-22 allocations could have been made, and as a result is allocating a relatively generous increase of 10.75% to financial aid. Staff also modeled other scenarios and found that in a flat funding scenario, decreases could be more significant, with the largest decrease being nearly 11 percent at a small rural community college (although most schools seeing decreases were closer to 2-5% range).

One institution gave feedback that, should a three-year data average be used, there should be an adjustment made for institutions seeing consistent growth in model-eligible enrollment, so that they are not 'penalized' by the use of a three-year data average. The current demonstration model does not include such an adjustment, but staff can look into such an adjustment at the committee's request.

	Initial Actual FY22 Allocation	Percent Change (from FY21)	Allocation with 3 Year Data Average & New Guardrails	Percent Change (from FY21)	Percent Change (from FY22 Actual)
Public Four-Year Institutions					
Adams State University	2,301,625	5.0%	2,175,061	-0.8%	-5.5%
Colorado Mesa University	8,543,704	5.4%	8,856,002	9.2%	3.7%
Colorado School of Mines	1,989,596	19.6%	1,926,302	15.8%	-3.2%
Colorado State University	14,628,908	10.8%	14,744,743	11.7%	0.8%
Colorado State University - Pueblo	4,663,749	5.0%	4,839,644	9.0%	3.8%
Fort Lewis College	1,525,264	5.0%	1,489,745	2.6%	-2.3%
Metropolitan State University of Denver	22,977,386	9.6%	23,505,975	12.2%	2.3%
University of Colorado Boulder	12,871,738	16.2%	12,627,785	14.0%	-1.9%
University of Colorado Colorado Springs	9,974,506	8.7%	10,186,256	11.0%	2.1%
University of Colorado Denver	13,485,614	13.8%	13,380,697	12.9%	-0.8%
University of Northern Colorado	8,026,214	5.0%	8,190,843	7.2%	2.1%
Western Colorado University	1,334,434	5.0%	1,318,180	3.7%	-1.2%
Public Two-Year Institutions					
Arapahoe Community College	3,059,725	5.0%	2,917,698	0.1%	-4.6%
Colorado Northwestern Community College	544,094	17.7%	536,603	16.1%	-1.4%
Community College of Aurora	4,079,642	9.2%	4,135,651	10.7%	1.4%
Community College of Denver	6,150,896	18.7%	5,812,668	12.2%	-5.5%
Front Range Community College	9,324,900	7.3%	9,328,039	7.3%	0.0%
Lamar Community College	611,416	12.2%	627,515	15.1%	2.6%
Morgan Community College	669,718	5.0%	635,089	-0.4%	-5.2%
Northeastern Junior College	882,177	5.0%	848,827	1.0%	-3.8%
Otero Junior College	1,076,607	5.0%	1,136,264	10.8%	5.5%
Pikes Peak Community College	12,196,458	19.1%	11,791,149	15.1%	-3.3%
Pueblo Community College	4,978,700	7.9%	4,807,711	4.2%	-3.4%
Red Rocks Community College	4,130,600	11.6%	4,041,159	9.2%	-2.2%
Trinidad State Junior College	1,390,452	20.0%	1,345,815	16.1%	-3.2%
Local Districts					
Aims Community College	4,353,800	14.5%	4,392,359	15.5%	0.9%
Colorado Mountain College	2,580,864	20.0%	2,556,869	18.9%	-0.9%
Non-Profit Private Institutions					
Colorado Christian University	2,389,802	5.0%	2,580,752	13.4%	8.0%
Colorado College	161,818	5.0%	152,813	-0.8%	-5.6%
Naropa University	159,831	20.0%	175,947	32.1%	10.1%
Regis University	2,454,798	5.0%	2,243,537	-4.0%	-8.6%
University of Denver	1,597,908	5.6%	1,665,668	10.1%	4.2%
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Technical Colleges			-		
Technical College of the Rockies	175,820	20.0%	186,124	27.0%	5.9%
Emily Griffith Technical College	904,651	20.0%	995,870	32.1%	10.1%
Pickens Technical College	573,768	9.1%	565,833	7.6%	-1.4%
TOTAL	**166,771,182**	**10.8%**	**166,721,195**	**10.7%**	**-0.03%**

Approach #2: Shift to Flat per Pell Eligible FTE Allocations

The main approach that emerged as an alternative to the existing CSG model in the targeted questions was a model in which each institution receives a flat per Pell eligible FTE allocation. In targeted feedback questions, institutions in favor of this change (or a move to a flatter per-FTE distribution) noted that it would be a more simple mechanism to award funding, and that it would result in additional funding being directed towards institutions serving primarily freshmen and sophomores, particularly the community colleges, which serve a significant percentage of the state's Pell-eligible population but cannot benefit from the higher allocation amounts for juniors and seniors under the existing model.

Page 6 provides an example of how funds might have been allocated in FY 2021-22 had a flat per Pell eligible model been in effect. This example also uses a three-year data average, a lower guardrail tied to inflation and enrollment shifts, and an upper guardrail of three times the statewide change. As in the previous example, highlighted rows denote a school caught by either the upper or lower guardrail. This approach would result in significantly increased funding being allocated to the two-year institutions. However, it would also result in smaller increases (and in some cases decreases) at four-year institutions serving a large proportion of Pell-eligible students relative to their total student body. As the changes in this model are more dramatic than in the modified current approach discussed above, a different upper or lower guardrail may be considered.

Institutions generally were not in favor of directly considering institutional aid awarding in allocating CSG. However, even if institutional aid is not directly considered, staff feels it is important to note that institutional aid resources vary significantly by school, and that while the state's two-year and access institutions are generally lower-cost than four-year research institutions, they also have fewer institutional aid resources available to allocate.

Additionally, one institution raised concerns that moving to a flat per Pell-eligible FTE allocation model would result in low-income students being 'tracked' into lower-cost institutions, as their state award could potentially have more buying power – however, this concern would seem to apply more to a situation in which the state was dictating award amounts that were constant regardless of institution choice, as in the federal Pell grant model. As no such change is being recommended at this time, institutions will continue to have packaging authority over awards.

	Initial Actual FY22 Allocation	Percent Change (from FY21)	Allocation with 3 Year Data Average, New Guardrails, and Flat per-FTE Amount	Percent Change (from FY21)	Percent Change (from FY22 Actual)
Public Four-Year Institutions					
Adams State University	2,301,625	5.0%	2,120,689	-3.3%	-7.9%
Colorado Mesa University	8,543,704	5.4%	8,485,104	4.7%	-0.7%
Colorado School of Mines	1,989,596	19.6%	1,833,576	10.2%	-7.8%
Colorado State University	14,628,908	10.8%	14,210,447	7.7%	-2.9%
Colorado State University - Pueblo	4,663,749	5.0%	4,543,527	2.3%	-2.6%
Fort Lewis College	1,525,264	5.0%	1,402,033	-3.5%	-8.1%
Metropolitan State University of Denver	22,977,386	9.6%	22,112,397	5.5%	-3.8%
University of Colorado Boulder	12,871,738	16.2%	11,767,872	6.3%	-8.6%
University of Colorado Colorado Springs	9,974,506	8.7%	9,563,070	4.2%	-4.1%
University of Colorado Denver	13,485,614	13.8%	12,435,609	4.9%	-7.8%
University of Northern Colorado	8,026,214	5.0%	7,753,459	1.4%	-3.4%
Western Colorado University	1,334,434	5.0%	1,238,204	-2.6%	-7.2%
Public Two-Year Institutions					
Arapahoe Community College	3,059,725	5.0%	3,236,717	11.1%	5.8%
Colorado Northwestern Community College	544,094	17.7%	582,684	26.1%	7.1%
Community College of Aurora	4,079,642	9.2%	4,599,446	23.1%	12.7%
Community College of Denver	6,150,896	18.7%	6,507,267	25.6%	5.8%
Front Range Community College	9,324,900	7.3%	10,355,333	19.1%	11.1%
Lamar Community College	611,416	12.2%	687,004	26.0%	12.4%
Morgan Community College	669,718	5.0%	694,052	8.8%	3.6%
Northeastern Junior College	882,177	5.0%	929,945	10.7%	5.4%
Otero Junior College	1,076,607	5.0%	1,240,084	20.9%	15.2%
Pikes Peak Community College	12,196,458	19.1%	13,040,379	27.3%	6.9%
Pueblo Community College	4,978,700	7.9%	5,332,500	15.6%	7.1%
Red Rocks Community College	4,130,600	11.6%	4,469,752	20.7%	8.2%
Trinidad State Junior College	1,390,452	20.0%	1,460,000	26.0%	5.0%
Local Districts					
Aims Community College	4,353,800	14.5%	4,871,522	28.1%	11.9%
Colorado Mountain College	2,580,864	20.0%	2,841,101	32.1%	10.1%
Non-Profit Private Institutions					
Colorado Christian University	2,389,802	5.0%	2,498,494	9.8%	4.5%
Colorado College	161,818	5.0%	148,490	-3.6%	-8.2%
Naropa University	159,831	20.0%	175,947	32.1%	10.1%
Regis University	2,454,798	5.0%	2,211,124	-5.4%	-9.9%
University of Denver	1,597,908	5.6%	1,556,801	2.9%	-2.6%
Technical Colleges					
Technical College of the Rockies	175,820	20.0%	193,548	32.1%	10.1%
Emily Griffith Technical College	904,651	20.0%	995,870	32.1%	10.1%
Pickens Technical College	573,768	9.1%	677,135	28.7%	18.0%
TOTAL	**166,771,182**	**10.8%**	**166,771,182**	**10.8%**	**0.0%**